Agri-Food Trade Service
Market & Industry Services Branch
174 Stone Road West, Guelph, Ontario N1G 4S9
T: (519) 837-9400 F: (519) 837-9782
http://ats.agr.ca

EVENT REPORT

Agricultural Trade Conference: The Road From Doha

Summary: The current negotiating agenda set at the November 2001 Ministerial Conference in Doha, Qatar was the subject of a half day trade policy seminar sponsored by Agriculture and Agri-Food Canada (AAFC) and the Ontario Ministry of Agriculture and Food (OMAF) on April 4, 2002 in Guelph. To facilitate the sharing of information and to promote dialogue about the current Round of multilateral World Trade Organization (WTO) negotiations, trade experts representing Canada, the United States, and the South Centre in Geneva Switzerland shared their unique perspectives on the "Doha Development agenda" with approximately 80 farm and food association representatives and government officials. The speakers included Ms. Suzanne Vinet, Canada's Chief Agriculture Negotiator, Mr. Greg Frazier, the former chief agricultural negotiator at the Office of the United States Trade Representative (USTR), Mr. Shishir Priyadarshi representing the South Centre, an intergovernmental organization of developing countries based in Geneva Switzerland, and Mr. Peter Clark, an international trade practitioner and President of Grey, Clark, Shih and Associates Limited, an economic trade consultancy firm. The presentations by the panelists and the subsequent discussion with the Canadian audience reflected some of the current trade issues that are shaping the ongoing mandated agricultural WTO negotiations. Namely, that meeting the very diverse needs and interests of developing countries who are feeling largely left out of the progress achieved during the Uruguay Round, will be paramount if export subsidies are to be eliminated, and trade distorting domestic support is to be substantially reduced. Furthermore, the domestic agenda's of both the United States and the European Union will continue to affect the ability of these players to lead at the WTO table, bringing into question the ability of all to achieve substantive change within the aggressive time-frame set out at Doha.

Background: The framework of rules and reductions in agricultural subsidies and protection, agreed to as a result of the 1986–1994 Uruguay Round of World Trade Organization (WTO) negotiations, committed members to ongoing talks and continuing reform under Article 20 of the Agriculture Agreement. These negotiations on agriculture began in early 2000, and by November 2001 and the Doha Ministerial Conference, 121 governments including Canada had submitted a large number of negotiating proposals. These negotiations are continuing with the mandate given by the Doha Declaration (adopted on 14 November 2001) which builds on the work already undertaken, confirms and elaborates the objectives, and sets a timetable. Dubbed the Development Agenda due the Declaration's emphasis on the needs and interests of developing countries, and especially the least-developed among them, it states that modalities (or targets for further reduction commitments) including provisions for special and differential treatment, shall be established no later than 31 March 2003. The Declaration also lays out the aim of the agriculture negotiations as such: "without prejudging the outcome of the negotiations ... substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support". Notably, Agriculture is now part of the single undertaking in which virtually all the linked negotiations are to end by 1 January 2005. More information on the timetable for the Doha Development Agenda is available on the WTO Web site: http://www.wto.org

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Report: (In order of speaking)

1) Ms. Suzanne Vinet, Canada's Chief Agriculture Negotiator provided the context for the subsequent conference discussion by reminding the audience of the importance of exports to Canada's agricultural sector, identifying developing countries as the primary source of future export growth, and stating Canada's primary objective of the agricultural negotiations – to level the international playing field through a complete elimination of export subsidies as soon as possible, and through a substantial reduction in trade distorting domestic support including blue box[1] programs. The Doha Declaration can be seen as a breakthrough in establishing momentum, with the March 2003 deadline for modalities being an aggressive negotiating time-line, closely followed by the 'stock taking' 5th Ministerial Conference in Mexico where members will present comprehensive draft commitments. It was noted that the approach established at Doha is very compatible with the Canadian position, and captures for the first time, the eventual goal by all to eliminate export subsidies. The dynamic of the negotiations it was said is to be very much affected by the increased influence of developing nations[2], including the populous China (which is yet to be active since completing WTO accession on 11 December 2001) and developing countries who will simply not accept a backroom deal advocated by the United States and the European Union.

Ms. Vinet further explained that the needed leadership role of the United States and the European Union may be hampered by their respective domestic agendas. For the United States, the Farm Bill (separate versions of which are now before the Senate and House of Representatives) is now destined to spend $73.5 billion over the next 10 years, a sign perhaps that present domestic support policies are likely to continue. The United States Administration is also yet to secure Trade Promotion Authority[3] (also known as fast track authority) which brings into question the ability of the United States to ratify any new WTO agreement. On their part, the European Union is scheduled in June for their mid-term review of the Common Agricultural Policy (CAP)[4], which could temper the ambition of European Union negotiators as they wait for their own reform process to play out.

The conclusion is that notwithstanding the significant challenges ahead, particularly the ability to secure a large outcome by the 2005 deadline, Ms Vinet is hopeful that progress can be made both at the WTO table and also on other fronts. Canada will continue to move forward on the Free Trade Area of the Americas (FTAA)[5] negotiations and with other bilateral negotiations such as smoothing irritants with the United States, our largest trading partner. The intent is to work with industry to solidify Canada's position, and to keep the lines of communication open.

2) Mr. Greg Frazier, now an advisor with the public law and policy practice group of Akin, Gump, Strauss, Hauer & Feld L.L.P in Washington D.C., served as chief agricultural negotiator at the Office of the United States Trade Representative (USTR) during the Clinton Administration. Ambassador Frazier also served from 1995 to 2000 as chief of staff at the Department of Agriculture (USDA). Mr. Frazier began his comments with the phrase "all politics are local" used by Thomas P. O'Neill, Jr., (Speaker of the House of Representatives, 1977-1987) to illustrate how the Bush Administration will engage WTO negotiations - that is, congressional partisan politics have and will continue to affect the central role of the United States at Doha. For example, the limited congressional progress to date on the Trade Promotion Authority was achieved only after return support for the Farm Bill was secured from the White House. In addition, growing domestic scepticism about trade and the WTO fueled by a downturn in exports and commodity prices, and incidents like continuing low beef exports to the European Union despite a WTO win on the hormone issue[6], has put trade policy very low on the list of priorities. This attitude is manifested in the Farm Bill debate - there is no discussion about trade despite the fact

that the launch of a new round is a significant achievement, and despite the importance of trade to the United States farming community. It was further stated that these Farm Bill domestic support discussions will be crucial to what the overall agreements looks like - negotiators will need to be aggressive so that backsliding does not occur.

3) Mr. Shishir Priyadarshi presently works for the South Centre, an intergovernmental organization of developing countries based in Geneva[7]. Prior to his current position, Mr. Priyadarshi worked with the Government of India for nearly twenty years, including in the Cabinet Office dealing with issues relating to the impact of the WTO Agreement on Agriculture on India's domestic agriculture production, and as Counsellor with the Indian Mission to the WTO in Geneva. Mr. Priyadarshi illustrated the importance of developing country concerns in the Doha Development Agenda round by first pointing out that the words "technical assistance" appear 21 times in the 2001 Doha Ministerial Declaration[8]. He made the point that developing countries have a great vulnerability on food security by explaining that the majority of farms in developing countries are very small subsistence operations (2.5 hectares), yet large populations depend on their production. Moreover, despite the promise of the Uruguay Round of negotiations, these countries remain shut out of world markets, lack safety nets to protect their producers, and as many are single commodity exporters, tariff preferences are important. What is sought is meaningful deferential measures to strengthen supply and protect rural employment, including the provision that their food security or 'staple' crops be exempt from tariff reduction (i.e. via measures such as the "Development Box"[9] and/or special safeguard provisions known as SSG[10]), that there be a cap on green box support, and that trade distorting support be eliminated. It was also noted that negotiating positions differ substantially among developing countries, reflected by the existence of a number of trading alliances that include different groups of developing and some developed nations[11] (for example, the African Group, ASEAN, the Cairns Group, Caricom, Mercosur and Small island developing states).

4) Mr. Peter Clark, is an international trade practitioner and President of Grey, Clark, Shih and Associates Limited, an economic trade consultancy firm. He is active in NAFTA and WTO dispute settlement both as counsel and as an arbitrator. Mr. Clark was formerly posted in Geneva as Canada's Liaison to the GATT[12], and a member of the Canadian delegations attending at the Singapore, Seattle and Doha WTO Ministerial Conferences. Mr. Clark characterized the Doha Development Agenda round as a response to the failure of the Uruguay Round; which neglected to deliver results to developing countries, and led to exposure to subsidized surpluses that have hurt, in particular, Canada's grains and oilseeds sector. He indicated that 2008 was a more likely end to negotiations than 2005, and that change would be incremental. It was stated that a way to abolish all subsidies with the exception of crop insurance and disaster relief, must be found. He also noted that food aid is a growing problem (should be grants not surplus disposal), and warned that supply management would come under attack in this round. On the subject of non-tariff barriers, that are "popping up like mushrooms", Russia was used an example of a country playing "regulatory roulette" raising 6 cases related to sanitary and phytosanitary or SPS measures[13] at the last round. To fight these cases is difficult and costly - each panel costs 1 million dollars, and follow-through to actual compliance is problematic (the European beef hormone issue being a case in point). Moreover, the cards are stacked against small and developing countries who must combat not only the costs and complexity of mounting a challenge, but also headline grabbing sound bites (from in some cases non government organizations) that lack scientific authenticity yet support the barriers in question. WTO panels reflect the fact that WTO agreements are treaties with legal language, and the WTO Appellate Body[14] must rule on a case if even if the text in question is vague. Canadian negotiators were encouraged to be vigilant to ensure legal advice is considered throughout the negotiations.

Endnotes:

1. In WTO terminology, subsidies in general are identified by "boxes" which are given the colours of traffic lights: green (permitted), amber (slow down — be reduced), red (forbidden). The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programs that limit production. There are also exemptions for developing countries (sometimes called an "S&D box"). Currently there are only a handful of countries (including the European Union) using the blue box. The European Union says it is ready to negotiate additional reductions in amber box support so long as the concepts of the blue and green boxes are maintained. Source: WTO Web site at http://www.wto.org

2. About 100 of the WTO's over 140 members are developing countries. They are expected to play an increasingly important role in the WTO because of their numbers and because they are becoming more important in the global economy. Source: WTO Web site at http://www.wto.org

3. U.S. Trade Promotion Authority (TPA) is the trade negotiating authority the Congress has granted to each of the previous five presidents. Under this authority, the Executive Branch is required to consult regularly with the Congress, and solicit advice from advisory committees and the public, as trade agreements are being negotiated. In return, the Congress agrees not to amend legislation implementing trade agreements, voting up or down on these agreements. The cooperative relationship at the heart of Trade Promotion Authority helps ensure that U.S. trade negotiators will strike agreements that have the support of the Congress and the American people. Source: TPA Web site at http://www.tpa.gov

4. The Common Agricultural Policy (CAP) is comprised of a set of rules and mechanisms, which regulate the production, trade and processing of agricultural products in the European Union (EU), with attention being focused increasingly on rural development. The CAP has been the biggest, the most contentious and the one with the largest budget of all the Union's policy areas. Agenda 2000 has been the most radical and comprehensive reform of the CAP since its inception, driven in part by the new round of WTO negotiations. Non-trade issues such as the multi-functional role of agriculture (i.e. preserving the countryside, environmental protection, food safety and quality, & animal welfare) is an aspect of the EU negotiating position. Source: Europa web portal site of the EU at http://europa.eu.int/pol/agr/index_en.htm

5. The Free Trade Area of the Americas (FTAA) negotiations envisage the creation of a comprehensive hemispheric free trade area, made up of the 34 democratic countries of North, Central and South America and the Caribbean (Cuba excepted). The nine negotiating groups (including one dealing with Agriculture) developed draft chapter texts for an agreement that were reviewed by FTAA Trade Ministers at the April 7, 2001 meeting in Argentina and then by Leaders at the Third Summit of the Americas, April 20-22, 2001 in Quebec City. Clear directives were provided by Leaders at the Quebec Summit that will guide the next phase of the negotiations, including the commencement of full-fledged tariff concession negotiations by May 2002. The completion date for the negotiations remains 2005. Source: AAFC Web site at http://www.agr.gc.ca

6. In 1989 the European Union (EU) banned the import of beef from cattle treated with growth hormones, effectively cutting off United States exports of beef. In 1997 a WTO panel and the Appellate Body found that the hormone ban was inconsistent with the EC's WTO obligations because the ban was not based on scientific evidence, a risk assessment, or relevant international standards. By July 1999 the United States had imposed 100 percent ad valorem duties on certain products of certain EC Member States in retaliation. These increased duties remained in place throughout 2001. Talks have continued with the aim of reaching a mutually satisfactory temporary solution to the dispute, but no resolution has been reached. Source: United States Trade Representative (USTR) Web site at http://www.ustr.gov

7. Formed in 1995 as an intergovernmental body of developing countries, the South Centre currently has 46 members. The Centre works for the benefit of the South as a whole, making efforts to ensure that all developing countries and interested groups and persons have access to its publications and the results of its work, irrespective of membership. The Centre has prepared a number of policy papers and studies. The

topics that have been worked on include: foreign direct investment, the reform of the United Nations, resource transfers and financial flows, the challenges presented by the WTO agenda, the implementation of the UNCED Agenda 21, and science and technology. The Centre studies various aspects of globalization as they affect the South. Source: South Centre Web site at http://www.southcentre.org

8. The declaration of the Fourth Ministerial Conference in Doha, Qatar, provides the mandate for negotiations on a range of subjects, and other work including issues concerning the implementation of the present agreements. According to the text of the Ministerial declaration adopted 14 November 2001, technical assistance and capacity-building programmes have important roles to play in addressing the marginalization of least-developed countries in international trade and to improving their effective participation in the multilateral trading system. Source: WTO Web site at http://www.wto.org

9. One "development box" proposal envisages provisions that would consist of broad flexibilities rather than specific prescribed policies. The emphasis is on targeting low-income farmers lacking resources, and on secure supplies of staple foods. The means would be: exemptions from commitments on these staples, the possibility of negotiating higher tariffs, allowing developing countries to use simple safeguards to protect staples, a ban on developed countries "dumping" agricultural products, an international food security fund, and so on. Others favour better market access to developed countries' markets and binding commitments on technical assistance. However, views differ on what groups of countries should qualify for what kind of special treatment. Source: WTO Web site at http://www.wto.org

10. Members have the right to invoke for tariffied products the special safeguard provisions of the Agreement on Agriculture (Article 5), provided that a reservation to this effect ("SSG") appears beside the products concerned in the relevant Member's schedule. The right to make use of the special safeguard provisions has been reserved by 38 Members, and for a limited number of products in each case. The special safeguard provisions allow the imposition of an additional tariff where certain criteria are met. The criteria involve either a specified surge in imports (volume trigger), or, on a shipment by shipment basis, a fall of the import price below a specified reference price (price trigger). The additional duties cannot be applied to imports taking place within tariff quotas. Source: WTO Web site at http://www.wto.org

11. The WTO Web site contains a list of Members that have submitted proposals and technical papers, with an indication of groupings and alignments based on joint-authorship. For a key to the groupings, please refer to: http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd04_groups_e.htm

12. The General Agreement on Tariffs and Trade (GATT) was both an international agreement, i.e. a document setting out the rules for conducting international trade, and an international organization created later to support the agreement. The text of the agreement could be compared to law, the organization was like parliament and the courts combined in a single body. GATT, the international agency, no longer exists. It has now been replaced by the World Trade Organization (WTO). For an explanation of the differences between the GATT and the WTO, please refer to the WTO Web site at http://www.wto.org

13. The Agreement on the Application of Sanitary and Phytosanitary Measures (the "SPS Agreement") entered into force with the establishment of the World Trade Organization on 1 January 1995. It concerns the application of food safety and animal and plant health regulations. It allows countries to set their own standards. But it also says regulations must be based on science. They should be applied only to the extent necessary to protect human, animal or plant life or health. And they should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail. Source: WTO Web site at http://www.wto.org

14. The Dispute Settlement Understanding (DSU) is the legal text that spells out the rules and procedures for settling disputes in the WTO. It contains 27 articles, is a legally binding negotiated agreement among all the WTO member governments, and is the ultimate means of enforcing the WTO's trade rules. The Appellate Body will issue a detailed report containing its findings should the first stage of the dispute settlement system, consultations, and the second stage, an examination of the case and report by an independent panel, fail. Source: WTO Web site at http://www.wto.org